City of Balch Springs, Texas

Independent Auditor's Report and Financial Statements
For the Fiscal Year Ended

September 30, 2021

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City of Balch Springs, Texas
Year Ended September 30, 2021

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Financial Section

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Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of Balch Springs, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Balch Springs, Texas (City), as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison and pension and other postemployment benefit information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The nonmajor combining financial statements and schedules and discretely presented component unit financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 25, 2022, on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

BKD, LLP

Dallas, Texas
May 25, 2022

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City of Balch Springs, Texas
Management's Discussion and Analysis (Unaudited)
September 30, 2021

The Management's Discussion and Analysis (MD&A) provides a narrative overview and analysis of the financial activities of the City of Balch Springs (City) for the fiscal year ended September 30, 2021.

Readers of the financial statements are encouraged to consider the information included in the other sections of the Financial Statements *e.g.*, combining statements and notes in conjunction with the MD&A.

FINANCIAL HIGHLIGHTS

The following financial highlights summarize the City's financial position and operations as presented in more detail in the Basic Financial Statements (BFS).

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2021, by $47.2 million (net position). This was an increase of $8.7 million from the prior year.
- Governmental activities restricted net position was $6.7 million and unrestricted was a net deficit of $3.1 million. Theoretically, the unrestricted net position is what is used to meet the City's ongoing obligations to citizens and creditors.
- Business-type activities unrestricted net position was $4.7 million and had no restricted net position as of year-end.
- The ending unassigned fund balance for the General Fund was $6.4 million or 31.5 percent of next year's total General Fund budgeted expenditures.
- The City's governmental funds reported combined ending fund balances of $13.76 million of which $6.4 million is available for spending at the City's discretion.
- The City's enterprise fund reported combined ending net position of $25.2 million of which $4.7 million is available for spending at the City's discretion.

Overview of the Financial Statements

Basic Financial Statements (BFS): The MD&A is intended to serve as an introduction to the City's BFS. The BFS are comprised of three components: 1) Government-Wide Financial Statements (GWFS), 2) Fund Financial Statements (FFS), and 3) Notes to Basic Financial Statements (Notes). This report also contains other Required Supplementary Information (RSI) in addition to the BFS.

Government-Wide Financial Statements (GWFS): The GWFS, shown on pages 13-14 of this report, contain the statement of net position and the statement of activities, described below:

The statement of net position presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position using the accrual basis of accounting. Over time, increases or decreases in net position serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents a comparison between direct expenses and program revenues for each of the City's functions or programs. Direct expenses are specifically associated with an activity and are therefore clearly identifiable with that activity. Program revenues include charges paid by the recipient of the goods or services offered by the program. Program revenues also include grants and contributions restricted to meeting the operational or capital requirements of a particular activity. Revenues not directly related to a specific activity are presented as general revenues. The comparison of direct expenses with revenues from activities identifies the extent to which each activity is self-financing, or alternatively, draws from any City generated general revenues.

Governmental activities (activities principally supported by taxes and intergovernmental revenues) of the City include general government, public safety, public works, and community development and recreation. Business-type activities (activities intended to recover all of their costs through user fees and charges) of the City include water, sewer, and solid waste. All changes in net position are reported as soon as the underlying event occurs (accrual basis), regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods, such as uncollected taxes and earned, but unused vacation leave.

Component Units: The GWFS include the City (primary government), and two legally separate entities (component units) for which the City is financially accountable. The component units consist of Balch Springs Industrial and Economic Development Corporation (type A sales tax) and the Balch Springs Community and Economic Development Corporation (type B sales tax). The component units provide economic development services, community services, and public improvement financing for the City. Financial information for the component units is reported separately in the GWFS to differentiate them from the City's financial information.

Fund Financial Statements: A *fund* is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The principal role of funds in the financial reporting model is to demonstrate fiscal accountability. The City, as with other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the FFS is on major funds. Major funds are those that meet minimum criteria (a percentage of assets, liabilities, revenue or expenditures/expenses of fund category, and of the governmental and enterprise funds combined) or those that the City chooses to report as major funds given their qualitative significance. Non-major funds are aggregated and shown in a single column in the appropriate financial statements. Combining schedules of nonmajor funds are included in this report following the Required Supplementary Information (RSI). All funds of the City can be divided into two categories: *Governmental Funds* and *Proprietary Funds.*

Governmental FFS: Governmental funds are used to account for essentially the same functions reported as governmental activities in the GWFS. However, unlike the GWFS, governmental FFS focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the City's fiscal year. Such information is useful in evaluating the City's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the GWFS (modified accrual versus accrual basis of accounting, and current financial resources versus economic resources), it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the GWFS. By doing so, the reader may better understand the long-term impact of near-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances to facilitate the comparison between governmental funds and governmental activities.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is a major fund. The governmental FFS can be found on pages 15-18 of this report.

The City adopts a budget annually for the General Fund. In the RSI section, a budgetary comparison statement for the General Fund has been provided to demonstrate compliance with the budget.

Proprietary FFS*:* The City maintains one proprietary fund. It is reported as an *Enterprise Fund* which is used to report the same functions presented as business-type activities in the GWFS. Enterprise FFS provide the same type of information as the GWFS, only in more detail. The City uses its Utility Fund to account for Water, Wastewater, and Solid Waste services. The proprietary FFS can be found on pages 19-21 of this report.

Notes to Basic Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the GWFS and FFS. The notes can be found on pages 24-53 of this report.

Required Supplementary Information: In addition to the basic financial statements and accompanying notes, this report also presents certain RSI concerning the City's progress in funding its obligation to provide pension and other postemployment benefits to its employees and retirees. The General Fund budgetary comparison demonstrating the legal level of budgetary control can also be found as part of the RSI. The RSI can be found on pages 54-58 of this report.

Government-Wide Financial Analysis

As noted earlier, net position serves as a useful indicator of the City's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $47.2 million (*net position*) at the close of the fiscal year, compared to $38.5 million (*net position*) at the end of the prior fiscal year. As a result of operations, total net position increased by $8.6 million during the period.

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	$ 19,139,381	$ 9,915,573	$ 29,054,954	$ 15,904,313	$ 7,512,701	$ 23,417,014
Capital assets	26,383,105	27,068,642	53,451,747	22,177,373	27,254,290	49,431,663
Total assets	45,522,486	36,984,215	82,506,701	38,081,686	34,766,991	72,848,677
Deferred outflows of resources	1,061,028	373,472	1,434,500	990,534	384,976	1,375,510
Long-term liabilities	17,465,247	8,595,314	26,060,561	17,980,196	9,397,868	27,378,064
Other liabilities	6,133,467	3,359,471	9,492,938	4,083,211	2,784,560	6,867,771
Total liabilities	23,598,714	11,954,785	35,553,499	22,063,407	12,182,428	34,245,835
Deferred inflows of resources	999,109	223,439	1,222,548	1,203,992	270,503	1,474,495
Net position						
Net investment in capital assets	18,417,131	20,525,821	38,942,952	17,806,129	19,983,818	37,789,947
Restricted	6,653,611	-	6,653,611	4,337,486	-	4,337,486
Unrestricted (deficit)	(3,085,051)	4,653,642	1,568,591	(6,338,794)	2,715,218	(3,623,576)
Total net position	$ 21,985,691	$ 25,179,463	$ 47,165,154	$ 15,804,821	$ 22,699,036	$ 38,503,857

The majority of the City's net position reflects its investment in capital assets, including land, buildings, infrastructure, machinery, and equipment, less accumulated depreciation and any related outstanding debt used to acquire those assets. The City uses capital assets to provide services to citizens; consequently, those assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources since the capital assets cannot be used to liquidate the liabilities.

The City has restricted net position totaling 14.1 percent of total net position, which represent resources subject to external restrictions on how they may be used. Such resources include bond funds restricted to be spent for specified capital projects, debt service reserves restricted by bond covenants and special revenue funds restricted for specific purposes. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations. To recap the major categories of net position for the City as a whole, they are restricted of $6.7 million for all activities, deficit unrestricted of $3.1 million for governmental activities and unrestricted of $4.6 million for business-type activities.

The governmental and business-type net position increased by approximately $6.2 million and $2.5 million, respectively, and is shown in the following table:

	2021			2020		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues						
Charges for services	$ 1,714,417	$ 15,099,309	$ 16,813,726	$ 1,101,727	$ 14,607,147	$ 15,708,874
Operating grant and contribution	1,333,314	-	1,333,314	1,308,043	-	1,308,043
Capital grants and contributions	1,324,355	-	1,324,355	1,358,644	-	1,358,644
General Revenue						
Taxes and fees	18,778,665	-	18,778,665	16,256,948	-	16,256,948
Other	835,399	139,935	975,334	408,532	189,935	598,467
Total revenues	23,986,150	15,239,244	39,225,394	20,433,894	14,797,082	35,230,976
Program Expenses						
General government	1,363,670	-	1,363,670	1,559,102	-	1,559,102
Public safety	12,465,719	-	12,465,719	12,114,200	-	12,114,200
Public works	2,841,453	-	2,841,453	2,414,926	-	2,414,926
Community development and recreation	1,965,389	-	1,965,389	2,328,965	-	2,328,965
Interest and fiscal charges	235,795	-	235,795	272,751	-	272,751
Utility fund	-	11,692,071	11,692,071	-	12,001,252	12,001,252
Total expenses	18,872,026	11,692,071	30,564,097	18,689,944	12,001,252	30,691,196
Increase (Decrease in Net Position Before Transfers)	5,114,124	3,547,173	8,661,297	1,743,950	2,795,830	4,539,780
Transfers	1,066,746	(1,066,746)	-	1,466,359	(1,466,359)	-
Change in Net Position	6,180,870	2,480,427	8,661,297	3,210,309	1,329,471	4,539,780
Net Position, Beginning of Year	15,804,821	22,699,036	38,503,857	12,594,512	21,369,565	33,964,077
Net Position, End of Year	$ 21,985,691	$ 25,179,463	$ 47,165,154	$ 15,804,821	$ 22,699,036	$ 38,503,857

Changes in Net Position: Details of the above summarized information can be found on page 14 of this report.

Governmental Activities: The City's governmental activities experienced an increase in net position of approximately $6.2 million, compared to an increase of approximately $3.2 million during the prior fiscal year. Key elements of the operational increase include:

- Revenues excluding transfers increased by $3.5 million. The major changes in revenue from the prior year are as follows:
  - Charges for Services increased by $612 thousand over the prior year.
  - Taxes and Fees increased by $2.5 million. Property tax increased by $1.6 million, sales tax increased by $880 thousand and franchise fees and other taxes increased by $41 thousand.
  - Other revenue increased by $427 thousand primarily due to interest earned.

Business-type Activities: Revenue from the City's business-type activities increased by $2.5 million. Total revenue increased from $14.8 million in the prior year to $15.2 million in the current year. Key elements are as follows:

- Water sales increased from $5.3 million to $5.5 million resulting from an increase in water rates effective October 2020.
- Wastewater sales increased from $4.7 million to $4.9 million resulting from an increase in wastewater rates effective October 2020.
- Expenses of the City's business-type activities decreased by $309 thousand over the prior year.

Financial Analysis of the City's Funds

Governmental Funds: The focus of the City's *Governmental Funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. The Governmental Accounting Standards Board has defined five types of fund balances, which, are more fully described in the footnotes to the financials. The City uses four of the five types of fund balances defined: nonspendable, restricted, committed, and unassigned. At the end of the year, the City's governmental funds reported combined ending fund balances of $13.7 million, compared to $12.5 million at the end of the prior fiscal year.

The General Fund is the chief operating fund of the City. The unassigned fund balance serves as a useful measure of the City's resources available for spending at the end of the fiscal year. When fiscal year 2021 ended the General Fund had $6.4 million unassigned fund balance, compared to $3.8 million unassigned fund balance in fiscal year 2020. As a measure of the General Fund's liquidity, it is useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represented 37.4 percent of total General Fund expenditures compared to 23.6 percent of total General Fund expenditures in the prior year.

Proprietary Funds*:* The City's proprietary fund statements provide essentially the same type of information found in the government-wide financial statements but in more detail. Net position of the Utility Fund increased by $2.5 million; from $22.7 million to $25.2 million in the current fiscal year.

General Fund Budgetary Highlights

For fiscal year 2021 General Fund actual revenues came in above budget by $2.1 million. The largest elements of the increase were taxes and fees revenues, exceeding the budget by 1.8 million, or 11.7 percent primarily due to a strengthening property tax base and increased commerce within the City.

For fiscal year 2021 the City Council adopted a General Fund operating budget that included expenditures of $17.4 million.

For fiscal year 2021 General Fund actual expenditures came in above budget by $173 thousand resulting from an overall increase in departmental expenditures.

The budget is adopted on a basis consistent with General Accepted Accounting Principles (GAAP).

Capital Assets and Debt Administration

Capital Assets: The City's investment in capital assets, net of accumulated depreciation, for its governmental and business-type activities at September 30, 2021, totaled $53.5 million, a $4 million increase over the prior fiscal year's balance of $49.4 million. The investment in capital assets includes land, buildings, improvements, equipment, construction in progress, and infrastructure.

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	$ 1,409,837	$ 1,409,837	$ 792,615	$ 792,615	$ 2,202,452	$ 2,202,452
Building	8,119,425	8,106,025	2,425,960	2,425,960	10,545,385	10,531,985
Improvements	5,132,102	5,132,102	-	-	5,132,102	5,132,102
Vehicles	4,253,499	4,096,106	1,758,096	1,721,511	6,011,595	5,817,617
Equipment	3,033,112	2,684,393	2,749,722	2,397,390	5,782,834	5,081,783
Construction in progress	8,225,989	3,348,846	2,812,954	2,425,723	11,038,943	5,774,569
Streets and bridges	8,907,634	8,907,634	-	-	8,907,634	8,907,634
System improvements	-	-	35,071,783	35,034,583	35,071,783	35,034,583
Accumulated depreciation	(12,698,493)	(11,507,570)	(18,542,488)	(17,543,492)	(31,240,981)	(29,051,062)
Total	$ 26,383,105	$ 22,177,373	$ 27,068,642	$ 27,254,290	$ 53,451,747	$ 49,431,663

Remaining construction project costs as of September 30, 2021, include the following items:

- Commerce 635 Offsite Road Improvement project with an estimated cost of 5.2 million of which $5,065,580 has been spend as of year-end.
- Oak Ridge Park Splashpad Project with estimated total costs of $1.4 million of which $223,769 has been spent as of year-end.
- Sewer Pipe Bursting Project with estimated total costs of $538,000 of which $387,230 has been spent as of year-end.
- Traffic Signal Inventory and Signal Timing Development Project with estimated total costs of $156,000 of which $6,750 has been spent as of year-end

Additional information about the City's capital assets can be found on pages 37-38 of this report.

Long-term Debt: A summary of the City's total outstanding debt follows:

	Governmental Activities		Business-type Activities		Totals	
	2021	2020	2021	2020	2021	2020
General obligation bonds	$ 3,115,000	$ 3,615,000	$ -	$ -	$ 3,115,000	$ 3,615,000
Certifications of obligation	4,315,000	4,405,000	-	-	4,315,000	4,405,000
Revenue bonds	-	-	5,270,000	5,820,000	5,270,000	5,820,000
Capital leases	827,835	980,169	1,993,812	2,245,698	2,821,647	3,225,867
Total	$ 8,257,835	$ 9,000,169	$ 7,263,812	$ 8,065,698	$ 15,521,647	$ 17,065,867

There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter that limits the maximum tax rate for all City purposes to $2.50 per $100 of assessed valuation. The Attorney General of the State of Texas permits an allocation of $1.50 of the $2.50 maximum tax rate for general obligation bonds debt service. The FY 2021 interest and sinking fund tax rate per $100 of assessed valuation was $0.055020, which is significantly below the maximum allowable tax rate.

As of September 30, 2021, the City's total outstanding debt has decreased by $1.5 million, or 9 percent from the prior fiscal year. The decrease in outstanding debt is attributed to scheduled Fiscal Year 2021 debt payments.

The bond rating from Standard and Poor's is A+ on both obligations.

Additional information about the City's long-term debt can be found on pages 39-42 of this report.

Economic Factors and the Next Fiscal Year's Budget and Rates

The property tax rate for Fiscal Year 2022 is 0.794629 per $100 of assessed value which is a reduction of .008371 from fiscal year 2021.

Per the Bureau of Labor Statistics, the Dallas/Fort Worth/Arlington area March unemployment rate declined to 3.4 from 5.9 percent the year before. Property tax values continue to increase as the region continues to show unprecedented growth. Prices, as measured by the Consumer Price Index for All Urban Consumers (CPI-U), were up 3.0 percent for the two months ending in March 2022 and up 9.0 percent over the year. Despite increased prices, Fiscal Year 2022 sales tax activity started off very strong reflecting a year-to-date increase over the prior year of 13 percent through April's receipts.

While economic growth experienced a strong rebound in 2021, the continued COVID-19 "fresh threats" indicate that the pandemic, in some form, will likely continue to disrupt economic activity in the near future. In addition, according to the Bureau of Labor Statistics, inflation expectations continue to rise which could reduce spending as the sense of purchasing power diminishes.

Despite economic challenges, the city continues to grow, and budget continues to be tremendously positive. Economic Development team relentless efforts engaging with developers and thinking outside the box has generated tremendous growth. In addition, Grants Administration's continued efforts to capitalize on external funding opportunities has enabled the city to pursue avenues that may not otherwise be feasible.

The city continues to implement short term strategies to slow the flow of money out the door and keep budget balanced. When necessary, spending or hiring freeze will be implemented. In addition, we continue to find ways to efficiently operate in a remote environment which has a direct positive impact on spending. We believe an early financial response will mitigate extreme actions later. We will continue to monitor revenues and cash flows on a month-to-month basis and make changes to operations as necessary.

We look forward to another promising year.

Requests for Information

The financial report is designed to provide a general overview of the City of Balch Spring's finances.

Questions concerning any of the information provided in the report or requests for additional financial information should be addressed to the Director of Finance, City of Balch Springs, 13503 Alexander Rd., Balch Springs, TX 75181-3401 or by email at financemanager@cityofbalchsprings.com.

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Basic Financial Statements

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City of Balch Springs, Texas
Statement of Net Position
September 30, 2021

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Pooled cash and cash equivalents	$ 16,785,953	$ 6,328,066	$ 23,114,019	$ 6,005,728
Receivables, net of allowance				
Ad valorem taxes, net	813,847	-	813,847	-
Sales tax	1,065,136	-	1,065,136	426,054
Fines, net	352,347	-	352,347	-
Notes	-	-	-	300,000
Accounts, net	-	1,664,375	1,664,375	-
Other	68,541	-	68,541	26,956
Due from other governments	9,638	-	9,638	-
Prepaid expenses and other assets	43,919	4,555	48,474	1,060
Inventory	-	553,993	553,993	-
Restricted cash and cash equivalents	-	1,364,584	1,364,584	2,353,610
Capital assets, net of accumulated depreciation				
Non-depreciable	9,635,826	3,605,569	13,241,395	1,109,396
Depreciable	16,747,279	23,463,073	40,210,352	-
Total assets	45,522,486	36,984,215	82,506,701	10,222,804
Deferred Outflows of Resources				
Deferred outflows of resources—Pensions	961,981	216,444	1,178,425	24,048
Deferred outflows of resources—OPEB	99,047	25,537	124,584	2,410
Deferred loss on debt refunding	-	131,491	131,491	-
Total deferred outflows of resources	1,061,028	373,472	1,434,500	26,458
Liabilities				
Accounts payable	1,030,841	1,699,947	2,730,788	5,855
Accrued liabilities	922,305	132,595	1,054,900	11,333
Accrued interest payable	39,546	11,037	50,583	32,993
Customer meter deposits	-	644,610	644,610	-
Due to other governments	44,164	-	44,164	-
Unearned revenue	2,706,405	-	2,706,405	-
Long-term liabilities				
Due within one year	1,390,206	871,282	2,261,488	259,780
Due in more than one year	12,135,721	7,396,173	19,531,894	4,704,112
Net pension liability	4,900,714	1,102,659	6,003,373	122,518
Total OPEB liability	428,812	96,482	525,294	10,720
Total liabilities	23,598,714	11,954,785	35,553,499	5,147,311
Deferred Inflows of Resources				
Deferred inflows of resources – Pensions	974,718	219,311	1,194,029	24,368
Deferred inflows of resources – OPEB	24,391	4,128	28,519	450
Total deferred inflows of resources	999,109	223,439	1,222,548	24,818
Net Position				
Net investment in capital assets	18,417,131	20,525,821	38,942,952	(1,283,677)
Restricted for				
Court security	54,653	-	54,653	-
Court technology	8,296	-	8,296	-
Debt service	400,492	-	400,492	-
Law enforcement	740,159	-	740,159	-
Street maintenance	2,897,432	-	2,897,432	-
Capital projects	741,050	-	741,050	-
Public safety	179,932	-	179,932	-
Promotion of tourism and hotel industry	403,657	-	403,657	-
Economic development	754,409	-	754,409	6,360,810
Grants	473,531	-	473,531	
Unrestricted	(3,085,051)	4,653,642	1,568,591	-
Total net position	$ 21,985,691	$ 25,179,463	$ 47,165,154	$ 5,077,133

City of Balch Springs, Texas
Statement of Activities
Year Ended September 30, 2021

Functions/Program	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental activities				
General government	$ 1,363,670	$ 681,939	$ 1,238,167	$ -
Public safety	12,465,719	898,624	66,449	-
Public works	2,841,453	34,007	26,698	1,324,355
Community development and recreation	1,965,389	99,847	2,000	-
Interest on long-term debt	235,795	-	-	-
Total governmental activities	18,872,026	1,714,417	1,333,314	1,324,355
Business-type activities				
Utility fund	11,692,071	15,099,309	-	-
Total business-type activities	11,692,071	15,099,309	-	-
Total primary government	$ 30,564,097	$ 16,813,726	$ 1,333,314	$ 1,324,355
Component Units				
Balch Springs Industrial and Economic Development Corporation	$ 1,243,674	$ -	$ -	$ -
Bach Springs Community and Economic Development Corporation	869,522	-	-	-
Total component units	$ 2,113,196	$ -	$ -	$ -
General revenues and transfers				
Taxes				
Property taxes				
Sales taxes				
Franchise taxes				
Other local taxes				
Interest on investments				
Gain on sale of capital assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ 556,436	$ -	$ 556,436	$ -
(11,500,646)	-	(11,500,646)	-
(1,456,393)	-	(1,456,393)	-
(1,863,542)	-	(1,863,542)	-
(235,795)	-	(235,795)	-
(14,499,940)	-	(14,499,940)	-
-	3,407,238	3,407,238	-
-	3,407,238	3,407,238	-
$ (14,499,940)	$ 3,407,238	$ (11,092,702)	$ -
$ -	$ -	$ -	$ (1,243,674)
-	-	-	(869,522)
$ -	$ -	$ -	$ (2,113,196)
$ 11,361,413	$ -	$ 11,361,413	$ -
6,248,851	-	6,248,851	2,499,540
1,018,117	-	1,018,117	-
150,284	-	150,284	-
65,697	23,703	89,400	64,076
173,110	-	173,110	-
596,592	116,232	712,824	-
1,066,746	(1,066,746)	-	-
20,680,810	(926,811)	19,753,999	2,563,616
6,180,870	2,480,427	8,661,297	450,420
15,804,821	22,699,036	38,503,857	4,626,713
$ 21,985,691	$ 25,179,463	$ 47,165,154	$ 5,077,133

City of Balch Springs, Texas
Balance Sheet
Governmental Funds
September 30, 2021

Assets	General Fund	Tax Increment Financing Fund	Grant Fund	Street Maintenance Tax	Total Nonmajor Funds	Total Governmental Funds
Pooled cash and cash equivalents	$ 6,744,939	$ 552,785	$ 3,238,200	$ 2,852,968	$ 3,397,061	$ 16,785,953
Receivables (net of allowance for uncollectibles)						
Taxes	558,397	-	-	213,027	42,423	813,847
Sales tax	1,065,136	-	-	-	-	1,065,136
Fines	352,347	-	-	-	-	352,347
Other	61,321	-	-	-	7,220	68,541
Due from other governments	9,638	-	-	-	-	9,638
Prepaid items	20,954	-	931	-	22,034	43,919
Total assets	$ 8,812,732	$ 552,785	$ 3,239,131	$ 3,065,995	$ 3,468,738	$ 19,139,381
Liabilities, Deferred Inflows of Resources and Fund Balances						
Liabilities						
Accounts and contracts payable	$ 661,617	$ 132,113	$ 55,779	168,563	$ 12,769	$ 1,030,841
Accrued liabilities	915,557	-	2,485	-	4,263	922,305
Due to other governments	44,164	-	-	-	-	44,164
Unearned revenue	-	-	2,706,405	-	-	2,706,405
Total liabilities	1,621,338	132,113	2,764,669	168,563	17,032	4,703,715
Deferred Inflows of Resources						
Unavailable revenues property taxes	426,148	-	-	-	41,477	467,625
Unavailable revenues court fines	303,337	-	-	-	-	303,337
Total deferred inflow of resources	729,485	-	-	-	41,477	770,962
Fund Balances						
Nonspendable for prepaid items	20,954	-	931	-	22,034	43,919
Restricted for						
Court security	-	-	-	-	54,653	54,653
Court technology	-	-	-	-	8,296	8,296
Debt service	-	-	-	-	400,492	400,492
Law enforcement	-	-	-	-	740,159	740,159
Street maintenance	-	-	-	2,897,432	-	2,897,432
Capital projects	-	420,672	-	-	741,050	1,161,722
Public safety	-	-	-	-	179,932	179,932
Promotion of tourism and hotel industry	-				403,657	403,657
Economic development	-	-	-	-	754,409	754,409
Grants	-	-	473,531	-	-	473,531
Committed for						
Emergency management reserve	-	-	-	-	106,632	106,632
Unassigned	6,440,955	-	-	-	(1,085)	6,439,870
Total fund balances	6,461,909	420,672	474,462	2,897,432	3,410,229	13,664,704
Total liabilities, deferred inflows of resources, and fund balances	$ 8,812,732	$ 552,785	$ 3,239,131	$ 3,065,995	$ 3,468,738	$ 19,139,381

City of Balch Springs, Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

September 30, 2021

Total fund balances – governmental funds		$ 13,664,704
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation.		26,383,105
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(39,546)
Revenues earned but not available within 60 days of the year-end are not recognized as revenue on the fund financial statements.		770,962
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements.		61,919
Long-term liabilities, including bonds payable are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
General obligation bonds	$ (3,115,000)	
Certificates of obligation	(4,315,000)	
Premiums on bond debt	(260,924)	
Compensated absences	(4,761,641)	
Capital leases	(827,835)	
Other obligations	(65,527)	
Claims and judgements	(180,000)	
Total OPEB liability	(428,812)	
Net pension liability	(4,900,714)	(18,855,453)
Net position of governmental activities		$ 21,985,691

City of Balch Springs, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balances

Governmental Funds

Year Ended September 30, 2021

	General Fund	Tax Increment Financing Fund	Grant Fund	Street Maintenance Tax	Total Nonmajor Funds	Total Governmental Funds
Revenues						
Taxes and fees	$ 16,494,385	$ -	$ -	$ 1,249,770	$ 961,586	$ 18,705,741
Licenses and permits	715,946	-	-	-	-	715,946
Intergovernmental	66,449	-	1,238,167	-	28,698	1,333,314
Charges for services	99,847	-	-	-	-	99,847
Fines and forfeitures	586,840	-	-	-	243,138	829,978
Interest	26,388	3,883	5,479	12,148	17,799	65,697
Miscellaneous	29,942	-	-	-	533,222	563,164
Total revenues	18,019,797	3,883	1,243,646	1,261,918	1,784,443	22,313,687
Expenditures						
Current						
General government	1,195,045	-	-	-	3,600	1,198,645
Public safety	11,383,471	-	576,738	-	155,515	12,115,724
Public works	1,911,662	-	361,298	21,120	-	2,294,080
Community development and recreation	1,558,935	-	128,942	-	49,484	1,737,361
Capital outlay	995,618	3,890,720	287,405	222,912	-	5,396,655
Debt service						
Principal retirement	152,334	-	-	-	590,000	742,334
Interest and fiscal charges	27,347	-	-	-	258,024	285,371
Total expenditures	17,224,412	3,890,720	1,354,383	244,032	1,056,623	23,770,170
Excess (deficiency) of revenues over (under) expenditures	795,385	(3,886,837)	(110,737)	1,017,886	727,820	(1,456,483)
Other financing sources (uses)						
Operating transfers in	1,225,697	-	199,984	-	376,549	1,802,230
Operating transfers out	(623,053)	-	-	-	(112,431)	(735,484)
Capital contributions	1,100,908	-	-	-	223,447	1,324,355
Insurance recoveries	28,666	-	-	-	4,762	33,428
Sale of equipment	103,055	-	-	-	70,055	173,110
Total other financing sources	1,835,273	-	199,984	-	562,382	2,597,639
Net Change in Fund Balances	2,630,658	(3,886,837)	89,247	1,017,886	1,290,202	1,141,156
Fund Balances, Beginning of Year	3,831,251	4,307,509	385,215	1,879,546	2,120,027	12,523,548
Fund Balances, End of Year	$ 6,461,909	$ 420,672	$ 474,462	$ 2,897,432	$ 3,410,229	$ 13,664,704

City of Balch Springs, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended September 30, 2021

Net change in fund balances – total governmental funds		$ 1,141,156
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets recorded in the current period.		5,396,655
Depreciation expense on capital assets is reported in the statement of activities but does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.		(1,190,923)
Current year principal payments of long-term liabilities are shown as expenditures in the fund financial statements, but shown as reductions in long-term liabilities in the government-wide financial statements as follows:		
General and certificates of obligation bonds	$ 590,000	
Payment to State for long term obligation	65,527	
Capital leases	152,334	
Amortization of premiums on bonds issued	46,326	854,187
Current year pension and OPEB expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources.		463,725
Current year change in long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		(448,750)
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		3,250
Long-term liabilities, including claims and judgments are not due and payable in the current period and therefore are not reported in the governmental funds.		(180,000)
Certain revenues and expenses in the government-wide statement of activities that do not provide or require current financial resources are not reported as revenues in the governmental funds. This is the net change in these balances for the year.		141,570
Change in net position of governmental activities		$ 6,180,870

City of Balch Springs, Texas
Statement of Net Position
Proprietary Funds
September 30, 2021

Assets

	Utility Fund
Current Assets	
Pooled cash and cash equivalents	$ 6,328,066
Receivables (net of allowance for uncollectibles)	
Accounts	1,664,375
Prepaid expenses	4,555
Inventory	553,993
Total current assets	8,550,989
Noncurrent Assets	
Restricted cash and cash equivalents	1,364,584
Capital assets	
Land and right of way easements	792,615
Construction in progress	2,812,954
Buildings	2,425,960
Machinery, equipment and vehicles	4,507,818
Water and sewer distribution systems	35,071,783
Less accumulated depreciation	(18,542,488)
Total noncurrent assets	28,433,226
Total assets	36,984,215

Deferred Outflows of Resources

Deferred outflows related to pensions	216,444
Deferred outflows related to OPEB	25,537
Deferred loss on debt refunding	131,491
Total deferred outflows of resources	373,472

See Notes to Financial Statements

Liabilities

Current Liabilities	
Accounts payable	$ 1,699,947
Accrued wages	132,595
Compensated absences	81,122
Payable from restricted resources	
Bonds payable	790,160
Accrued interest payable	11,037
Customer meter deposits	644,610
Total current liabilities	3,359,471
Noncurrent Liabilities	
Bonds payable	6,666,068
Net pension liability	1,102,659
Total OPEB liability	96,482
Compensated absences	730,105
Total noncurrent liabilities	8,595,314
Total liabilities	11,954,785

Deferred Inflows of Resources

Deferred inflows related to pensions	219,311
Deferred inflows related to OPEB	4,128
Total deferred inflows of resources	223,439

Net Position

Net investment in capital assets	20,525,821
Unrestricted	4,653,642
Total net position	$ 25,179,463

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City of Balch Springs, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2021

	Utility Fund
Operating Revenues	
Charges for services	$ 15,099,309
Miscellaneous	116,232
Total operating revenues	15,215,541
Operating Expenses	
Personnel services	2,043,415
Professional services	185,767
Materials and supplies	83,819
Utilities	150,161
Repairs and maintenance	88,299
Minor equipment and rental	35,011
Benefits provided	592,168
Insurance	115,169
Purchase of water	1,625,525
Sewage	2,239,957
Solid waste	3,016,751
Other services and charges	287,871
Depreciation and amortization	998,996
Total operating expenses	11,462,909
Operating Income	3,752,632
Nonoperating Revenues (Expenses)	
Interest revenue	23,703
Interest and fiscal charges	(229,162)
Total nonoperating revenues (expenses)	(205,459)
Income Before Transfers	3,547,173
Transfer In	119,134
Transfers Out	(1,185,880)
Change in Net Position	2,480,427
Net Position, Beginning of Year	22,699,036
Net Position, End of Year	$ 25,179,463

City of Balch Springs, Texas
Statement of Cash Flows
Proprietary Funds
Year Ended September 30, 2021

	Utility Fund
Operating Activities	
Cash received from customers	$ 15,069,377
Cash paid to employees for services	(2,065,068)
Cash paid for goods and services	(8,262,516)
Net cash provided by operating activities	4,741,793
Noncapital Financing Activities	
Transfers to other funds	(1,185,880)
Transfers from other funds	119,134
Net cash used in noncapital financing activities	(1,066,746)
Capital and Related Financing Activities	
Principal paid on revenue bond maturities and capital lease	(801,886)
Interest paid	(248,571)
Acquisition of capital assets	(813,348)
Net cash used in capital and related financial activities	(1,863,805)
Investing Activities	
Interest income	23,703
Net cash provided by investing activities	23,703
Increase in Cash and Cash Equivalents	1,834,945
Cash and Cash Equivalents, Beginning of Year (Including $1,456,564 Reported in Restricted Accounts)	5,857,705
Cash and Cash Equivalents, End of Year (Including $1,364,584 Reported in Restricted Accounts)	$ 7,692,650

See Notes to Financial Statements

	Utility Fund
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	$ 3,752,632
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation	998,996
Change in assets and liabilities	
Increase in accounts receivable	(216,004)
Decrease in inventories	(348,024)
Decrease in prepaid expenses	(3,899)
Decrease in deferred outflows of resources	(6,262)
Decrease in accounts payable and accrued liabilities	509,905
Increase in compensated absences	82,685
Increase in customer deposits	69,840
Decrease in net pension liability	(58,370)
Increase in total OPEB liability	15,992
Increase in deferred inflows of resources	(55,698)
Net cash provided by operating activities	$ 4,741,793

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City of Balch Springs, Texas
Statement of Net Position
Component Units
September 30, 2021

	Balch Springs Industrial and Economic Development Corporation	Balch Springs Community and Economic Development Corporation	Total
Assets			
Current Assets			
Pooled cash and cash equivalents	$ 3,824,454	$ 2,181,274	$ 6,005,728
Receivables			
Sales tax	213,027	213,027	426,054
Notes	-	300,000	300,000
Interest	-	26,956	26,956
Other assets	530	530	1,060
Total current assets	4,038,011	2,721,787	6,759,798
Noncurrent Assets			
Capital assets not being depreciated			
Land	1,109,396	-	1,109,396
Restricted cash and cash equivalents	-	2,353,610	2,353,610
Total noncurrent assets	1,109,396	2,353,610	3,463,006
Total assets	5,147,407	5,075,397	10,222,804
Deferred Outflows of Resources			
Deferred outflows of resources – Pensions	12,024	12,024	24,048
Deferred outflows of resources – OPEB	1,205	1,205	2,410
Total deferred outflows of resources	13,229	13,229	26,458
Liabilities			
Current liabilities			
Accounts payable	2,685	3,170	5,855
Accrued liabilities	5,916	5,417	11,333
Accrued interest payable	17,285	15,708	32,993
Current portion of bonds payable	165,000	94,780	259,780
Total current liabilities	190,886	119,075	309,961
Noncurrent liabilities			
Compensated absences	36,655	36,655	73,310
Bonds payable, including premium	2,085,000	2,545,802	4,630,802
Net pension liability	61,259	61,259	122,518
Total OPEB liability	5,360	5,360	10,720
Total noncurrent liabilities	2,188,274	2,649,076	4,837,350
Total liabilities	2,379,160	2,768,151	5,147,311
Deferred Inflows of Resources			
Deferred inflows of resources—Pensions	12,184	12,184	24,368
Deferred inflows of resources—OPEB	225	225	450
Total deferred inflows of resources	12,409	12,409	24,818
Net Position			
Net investment in capital assets	(996,705)	(286,972)	(1,283,677)
Restricted for			
Economic development	3,765,772	2,595,038	6,360,810
Total net position	$ 2,769,067	$ 2,308,066	$ 5,077,133

City of Balch Springs, Texas
Statement of Activities
Component Units
Year Ended September 30, 2021

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Component Units				
Balch Springs Industrial and Economic Development Corporation	$ 1,243,674	$ -	$ -	$ -
Bach Springs Community and Economic Development Corporation	869,522	-	-	-
Total component units	$ 2,113,196	$ -	$ -	$ -
General Revenues				
Taxes				
Sales taxes				
Investment earnings				
Total general revenues				
Change in Net Position				
Net Position, Beginning of Year				
Net Position, End of Year				

See Notes to Financial Statements

Net (Expense) Revenue and Changes in Net Position		
Balch Springs Industrial and Economic Development Corporation	Balch Springs Community and Economic Development Corporation	Total
$ (1,243,674)	$ -	$ (1,243,674)
-	(869,522)	(869,522)
(1,243,674)	(869,522)	(2,113,196)
1,249,770	1,249,770	2,499,540
34,028	30,048	64,076
1,283,798	1,279,818	2,563,616
40,124	410,296	450,420
2,728,943	1,897,770	4,626,713
$ 2,769,067	$ 2,308,066	$ 5,077,133

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City of Balch Springs, Texas
Notes to Basic Financial Statements
September 30, 2021

Note 1: Significant Accounting Policies

General Statement

The accounting policies of the City of Balch Springs, Texas (City) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting and financial reporting principles. Management uses estimates and assumptions in preparing financial statements in accordance with GAAP. Those estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities, and the reported revenues, expenditures, and expenses. Actual results could vary from the estimates that are used. Significant policies of the City are described below.

Reporting Entity

The City, originally incorporated in 1990, is a municipal corporation incorporated under Article XI of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government and provides such services as are authorized by its charter to advance the public safety (police and fire), water and sewer utilities, public works, library, parks and recreation, and general administrative services of the City, and its residents. The City is governed by an elected mayor and a six-member council and has the authority to make decisions, appoint administrators and managers and significantly influence operations. It also has the primary accountability for fiscal matters.

The City's basic financial statements include the separate governmental entities that are controlled by or are dependent on the City. The determination to include separate governmental entities is based on the criteria of GASB Statement No. 14, *the Financial Reporting Entity,* as amended by GASB 39, *Determining Whether Certain Organizations Are Component Units, an amendment of GASB Statement No. 14* and GASB Statement 61, *the Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34,* and GASB Statement 80, *Blending Requirements for Certain Component Units, an amendment of GASB Statement No. 14*. GASB Statement No. 14 defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. To be financially accountable, a voting majority of the component unit's board must be appointed by the primary government, and either: (1) the primary government must be able to impose its will or (2) the primary government may potentially benefit financially or be financially responsible for the component unit. The Balch Springs Industrial and Economic Development Corporation 4A (4A) and the Balch Springs Community and Economic Development Corporation 4B (4B) are nonprofit economic development corporations formed in October of 1982 and 1997, respectively, under the *Development Corporation Act of 1979*. Both 4A and 4B are organized exclusively for the purposes of benefiting and accomplishing public purposes and to act on behalf of the City. This includes the construction and renovation of streets and municipal buildings, the acquisition, improvement, and operation of parks, as well as other economic development purposes.

The affairs of these corporations are managed by two separate Boards of Directors, which are appointed by the City Council. The City Council approves annual budgets and issuances of debt. 4A and 4B have been presented as discretely presented component units in the accompanying financial statements. Separate financial statements of the individual component units are not available.

Basis of Presentation

Government-Wide Financial Statements: The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the City. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of net position presents information on all the City's assets, deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as "net position." Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. "Direct expenses" are those that are clearly identifiable with a specific program of City government. "Program revenues*"* include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for Governmental Funds and Proprietary Funds. These statements present each major fund as a separate column on the fund financial statements; all nonmajor funds are aggregated and presented in a single column.

Governmental Funds are those funds through which most governmental functions typically are financed. The measurement focus of Governmental Funds is on the sources, uses, and balances of current financial resources. The City has presented the following major Governmental Funds:

General Fund: The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other funds are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

Tax Increment Financing Fund: To account for financial activity associated with bond project costs related to improvements made within designated Tax Increment Reinvestment Zones. In September 2019, the City financed $4.5 million for street improvements within Reinvestment Zone #2.

Grant Fund: To account for financial activity associated with federal, state, and local grants. Resources are only spent according to the terms of the grant.

Street Maintenance Fund: To account for the financial activity associated with the one-quarter cent (¼¢) sales tax dedicated for street maintenance.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position, and cash flow. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources are included on the Statement of Net Position. The City has presented the following major Proprietary Fund:

Utility Fund: The Utility Fund is used to account for the acquisition, operation and maintenance of municipal water, sewer utility, and solid waste services, supported primarily by user charges to the public.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a Proprietary Fund's principal ongoing operations. Operating expenses for the Proprietary Funds include the cost of personnel and contractual services, supplies, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Classification of Fund Equity

Fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned in governmental funds. Nonspendable fund balances cannot be spent, either because it is not in spendable form or because of legal or contractual requirements. Restricted fund balances have constraints for specific purposes which are externally imposed by providers, such as creditors, grantors or other governments; or by enabling legislation of the City Council. Committed fund balances can only be used for specific purposes pursuant to constraints imposed by the City Council through an ordinance or resolution. Assigned fund balances are constrained by intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based on Council direction. Unassigned fund balances include residual positive fund balances within the General Fund that had not been classified within the other mentioned categories. Unassigned fund balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balances are available unless there are legal documents/contracts that prohibit doing this, such as grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, followed by assigned, and lastly unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Measurement Focus

Measurement focus is the accounting convention, which determines which assets and liabilities are included on the balance sheet of a fund type and whether a fund type's operating statement presents "financial flow" or "capital maintenance" information per fund.

The government-wide statements and fund financial statements for Proprietary Funds are reported using the economic resources measurement focus, which means all assets and liabilities (whether current or noncurrent) are included on the statement of net position and the operating statements present increases (revenues) and decreases (expenses) in total net position.

Governmental Fund financial statements are reported using the current financial resources measurement focus, which means only current assets and current liabilities are generally included on their balance sheets.

Their reported fund balance (net current position) is considered a measure of "available spendable resources." Governmental Fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Proprietary Funds are accounted for on a "net income and capital maintenance" measurement focus. This means that all assets, liabilities, equity, revenues, expenses, and transfers relating to the activity of a Proprietary Fund are accounted for through the Proprietary Fund. The measurement focus is used in the determination of net income, financial position and cash flows.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for Proprietary Funds are accounted for using the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental Fund financial statements are reported using the modified accrual basis for accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual, *i.e.*, when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough, thereafter, to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Ad valorem, franchise and sales tax, and court fine revenues recorded in the General Fund are considered to be susceptible to accrual. Licenses and permits, charges for services (except for sanitation services), other fines and forfeits, and rents and concessions are recorded as revenues when received in cash because they are generally not measurable until actually received. Investment earnings and intergovernmental revenue are recorded as earned since they are measurable and available.

Cash and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. To maximize investment opportunities, all funds participate in a pooling of cash and investments.

Statutes authorize the City to invest in obligation of the U.S. Treasury, agencies and instrumentalities; obligations of the State of Texas and related agencies; obligations of state, agencies, counties, cities, and other political subdivisions of any state rated A or above by Standard & Poor's Corporation of Moody's Investors Service; certificates of deposit issued by state or national banks and savings banks domiciled in Texas; fully collateralized direct repurchase agreements; prime domestic banker's acceptance (BA's); commercial paper with a stated maturity of 180 days or less and a rating of not less than A-1+ or its equivalent' and state or local government investment pools.

Investment in debt securities and money market mutual funds for the City are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City considers quoted market price at September 30, 2021, to be the fair value of investments. Investments in nonnegotiable certificates of deposit are carried at cost. The government investment pools, TexPool and Logic, operate in accordance with state laws and regulations. Investments in external pools are carried at either net asset value or amortized cost, as determined by each pool's individual investment valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end. In instances where pools transact at amortized cost, such as TexPool, no readily determinable fair value is deemed available.

Allowance for Uncollectible Accounts

An allowance for uncollectible taxes including penalties and interest, water and sewer, and court fees and fines billed receivables is provided based on an analysis of historical trends. The allowances at September 30, 2021, were $231,972 for uncollectible taxes, $1,331,000 for water and sewer billings, and $1,878,686 for court fees and fines.

Interfund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Transactions Between Funds

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund reimbursed. All other interfund transactions, except interfund services provided and used and reimbursements, are recorded as transfers.

Capital Assets

Capital assets, which include property, plant equipment and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for Proprietary Funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Assets capitalized have a useful life of over one year. Depreciation, which includes amortization of assets under capital leases, is recorded on each class of depreciable property utilizing the straight-line method over the shorter of the estimated useful life or lease term of the related assets at the acquisition date or date placed in service. Estimated useful lives of major categories of property are:

Vehicles	7 – 15 years
Furniture and equipment	5 – 15 years
Machinery and equipment	15 years
Buildings and improvements	10 – 50 years

Accumulated Unpaid Vacations, Sick Leave, and Other Employee Benefit Amounts

The City's Police and Fire Department employees (civil service) accumulate 10 sick hours and 15 sick hours per month, respectively. The leave may be accumulated without limit. Upon termination, the civil service employees will receive lump sum payment for the full amount of sick days, if not more than 90 days are accumulated. If accumulation is in excess of 90 days, the lump sum payment is limited to that amount which would remain if the employee was allowed to use 90 days in the last six months of employment.

All other City employees accumulate 10 hours of sick leave per month. Non-civil service employees are required to be a City employee for at least 10 years to receive pay for unused sick leave. This pay is limited to 90 days.

Vacation time for the City's Police and Fire Department employees will accumulate up to 15 days (120 hours) per year with accumulation from year to year only upon the approval of the City Council. All other employees will accrue vacation according to length of service and accumulation from year to year will be only upon the approval of the City Manager. Upon termination, all employees will be paid for their accumulated vacation time. At September 30, 2021, the liability for accrued compensated absences is approximately $5,646,000. The amount expected to be paid from current resources is immaterial.

Defined Benefit Pension Plan

For purposes of measuring the net pension liability, pension related deferred outflows of resources, and deferred inflows of resources and pension expense, City specific information about its fiduciary net position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's fiduciary net position have been determined on the same basis as reported by TMRS. For this purpose, plan contributions are recognized in the period compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's total pension liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Defined Benefit Other Postemployment Benefit Plan

The City has a single-employer defined benefit other postemployment benefit (OPEB) plan (Plan). For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding's – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and recognized over the shorter of the life of the refunded or refunding debt.
- Pension and other postemployment benefit (OPEB) contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Change in pension and OPEB assumptions – These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions and OPEB through the pension and OPEB plans (active and inactive employees) determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items that qualify for reporting in this category.

- Difference in expected versus actual experience – This difference is deferred and amortized over the estimated average remaining service lives of all employees that are provided with pensions and OPEB through the pension and OPEB plans (active and inactive employees) determined as of the beginning of the measurement period.
- Net difference in projected and actual earnings (pensions) – This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.
- Unavailable revenue – This amount represents property taxes and court fines receivable that were not collected within the 60-day availability period subsequent to year-end. This amount is deferred and recognized once payments are made in the following fiscal year. This item is only presented in the Balance Sheet - Governmental Funds.

Adoption of New Accounting Standards

The GASB Statement No. 84 ("GASB 84"), Fiduciary Activities, established criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries. Implementation of GASB 84 had no material impact on the City.

GASB Statement No. 97 ("GASB 97), Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. This Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. Implementation of GASB 97 had no material impact on the City.

Note 2: Pooled Cash and Investments

Cash

State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies or instrumentalities that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by the state statutes at September 30, 2021. At year-end, the carrying amount of the City's cash and cash equivalents was $32,837,941 (composed of $24,478,603 related to the primary government and $8,359,338 related to discretely presented component units). Of this amount, the amount of the City's cash and cash equivalents that was fully collateralized was $25,626,625 (composed of $17,588,801 related to the primary government and $8,037,824 related to discretely presented component units). The remaining amount of the City's cash and cash equivalents balance relates to pooled investments held with TexPool and LOGIC.

Restricted cash refers to assets that are held for a specific purpose and therefore not available for immediate or general business use. The restrictions are generally by contractual agreements or regulatory agreements. The City reports restricted investments for debt service and customer meter deposits related to the Utility Fund as well as restricted unspent bond proceeds in the discretely presented component units.

Statutes authorize the City to invest in obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements and municipal pools. During the year ended September 30, 2021, the City's investments were fully comprised of external investment pools.

Governmental investments are categorized as either: (1) insured or registered for which securities are held by the City or its agent in the City's name (2) uninsured and unregistered for which securities are held by the counterparty's trust department or agent in the City's name, or (3) uninsured and unregistered for which the securities are held by the counterparty or its trust department or agent, but not in the City's name.

Interest Rate Risk

The strategy of the City is to maintain sufficient liquidity in its portfolio and structure the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the secondary market prior to maturity.

Custodial Credit Risk

Custodial credit risk is the risk that a government will not be able to recover: (a) deposits if the depository financial institution fails or (b) the value of investment or collateral securities that are in the possession of an outside party if the counterparty to the investment or deposit transaction fails. To minimize such risk, the City requires collateralization of most deposits in excess of coverage, utilizes the delivery vs. payment method for investment purchases and contracts with a third-party safekeeping agent.

The *Public Funds Investment Act* and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The *Public Funds Investment Act* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

The City is a voluntary participant in TexPool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters.

Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool uses amortized cost rather than the market value to report net position to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the net asset value of TexPool shares.

The City invested in the Texas Local Government Investment Cooperative (LOGIC) Liquid Asset Portfolio. LOGIC is a public funds investment pool managed by Southwest Securities Group, Inc. LOGIC investments are not categorized in accordance with GASB Statement No. 3, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosure requirements since the City has not issued securities, but rather it owns an individual beneficial interest in the assets of the related investment pools. LOGIC is measured at net asset value and is designed to approximate the share value. Accordingly, the fair value of the position in LOGIC is the same as the net asset value of LOGIC shares. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, the City's general policy is to report short-term treasury securities, U.S. government backed securities which have a remaining term of one year or less at time of purchase, and money market mutual funds at amortized costs.

Credit Risk

In compliance with the City's Investment Policy as of September 30, 2020, the City minimized credit risk losses due to default of a security issuer or backer by limiting investments to the safest types of securities, pre-qualifying financial institutions, broker/dealers, and advisors with which the City does business and diversifying the investment portfolio so that potential losses on individual securities are minimized.

Investments carried as cash equivalents due to liquidity measured as of September 30, 2021, are as follows:

	Carrying Amount	Fair Value	Weighted-Average Maturity (Years)
Primary Government			
TexPool	$ 3,681,414	$ 3,681,414	0.003
LOGIC	3,208,388	3,208,388	0.003
Total primary government	6,889,802	6,889,802	
Component Units			
TexPool	321,514	321,514	0.003
Total component units	321,514	321,514	
Total	$ 7,211,316	$ 7,211,316	

Deposits and investments as of September 30, 2021, are as follows:

Primary Government	
Deposits	$ 17,588,801
Investments	5,525,218
Restricted investments	1,364,584
Total primary government	24,478,603
Component Units	
Deposits	8,037,824
Investments	321,514
Total component units	8,359,338
Total cash and cash equivalents	$ 32,837,941

Note 3: Disclosures About Fair Values of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Investment in State Investment Pools

During the year, the City invested in two public fund investment pools, including TexPool and LOGIC. The fair value of the position of the pools for LOGIC is measured at net asset value and is designed to approximate the share value. The fair value of the position of in TexPool is measured at amortized cost per share as the pool meets requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Recurring Measurements

As of the September 30, 2021, the City had investments in TexPool and LOGIC of $3,684,414 and $3,208,388, respectively, and Component Units had investments in TexPool of $321,514.

Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above approximate net asset value for all related external investment pool balances.

Note 4: Property Taxes

Property taxes attach as an enforceable lien on property as of October 1. Taxes are levied on October 1, and are due and payable on or before January 31, of the following year. All unpaid taxes become delinquent February 1, of the following year. Tax collections for the year ended September 30, 2021, were 97.9 percent of the levy. Dallas County bills and collects property taxes for the City. Any uncollected property taxes at September 30, that are collected within 60 days are recognized as revenue and recorded as taxes receivable. Any uncollected property taxes at September 30, which are not expected to be collected within 60 days, are recorded as taxes receivable and deferred inflow of resources. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable, and their validity seems certain.

The statutes of the state of Texas do not prescribe a legal debt limit, nor does the City's charter provide for a debt limit. However, provision of Article XI, Section 5 of the Texas Constitution applicable to cities with populations greater than 5,000 limits the ad valorem tax rate to $2.50 per $100 assessed valuation. However, as a city operating under a Home Rule Charter, the City has a debt limit of $1.50 per $100 assessed valuation. For the year ended September 30, 2021, the City had a combined tax rate to finance general government service and debt service of $.803 per $100.00 assessed valuation.

In Texas, county-wide central appraisal districts are required to assess all property within the appraisal district on the basis of 100 percent of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may, at its own expense, require annual reviews of appraised values.

The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property.

If a city with a population of less than 30,000 adopts a tax rate that exceeds the greater of the city's voter-approval tax rate or the de minimis tax rate, the city council must order an election to approve the adopted tax rate for the November uniform election date.

Note 5: Interfund Transfers

Interfund transfers represent payments between funds that are designed to cover various operating and overhead expenses and to allocate charges for services performed by one fund on behalf of another fund.

For the year ended September 30, 2021, interfund transactions were as follows:

	Transfer In				
	General Fund	Grant Fund	Nonmajor Governmental Funds	Utility Fund	Total
Transfer Out					
General fund	$ 49,597	$ 199,984	$ 373,472	$ -	$ 623,053
Nonmajor governmental funds	109,354	-	3,077	-	112,431
Utility fund	1,066,746	-	-	119,134	1,185,880
Total	$ 1,225,697	$ 199,984	$ 376,549	$ 119,134	$ 1,921,364

During the fiscal year, the transfers were used to fund City improvements, capital asset purchases, and to fund an Emergency Reserve Fund to create and grow a financial reserve for instances of disaster, economic instability, and other emergencies within the City.

Note 6: Capital Assets

Capital assets of the Governmental Activities are as follows:

	Balance October 1, 2020	Increases	Decreases	Transfers	Balance September 30, 2021
Governmental Activities					
Capital assets not being depreciated					
Land	$ 1,409,837	$ -	$ -	$ -	$ 1,409,837
Construction in progress	3,348,846	4,877,143	-	-	8,225,989
Total capital assets not being depreciated	4,758,683	4,877,143	-	-	9,635,826
Capital assets being depreciated					
Buildings	8,106,025	13,400	-	-	8,119,425
Improvements	5,132,102	-	-	-	5,132,102
Equipment and furniture	2,684,393	348,719	-	-	3,033,112
Vehicles	4,096,106	157,393	-	-	4,253,499
Infrastructure	8,907,634	-	-	-	8,907,634
Total capital assets being depreciated	28,926,260	519,512	-	-	29,445,772
Less accumulated depreciation	11,507,570	1,190,923	-	-	12,698,493
Total capital assets being depreciated, net	17,418,690	(671,411)	-	-	16,747,279
Governmental activities capital assets, net	$ 22,177,373	$ 4,205,732	$ -	$ -	$ 26,383,105

Depreciation expense was charged as a direct expense to programs of the primary government as follows:

General and administrative	$ -
Public safety	415,522
Public works	547,373
Culture and recreation	228,028
Total depreciation expense – governmental activities	$ 1,190,923

Capital assets of the Enterprise Fund are as follows:

	Balance October 1, 2020	Increases	Decreases	Transfers	Balance September 30, 2021
Business-type Activities					
Capital assets not being depreciated					
Land	$ 263,984	$ -	$ -	$ -	$ 263,984
Right of way easements	528,631	-	-	-	528,631
Construction in progress	2,425,723	387,231	-	-	2,812,954
Total capital assets not being depreciated	3,218,338	387,231	-	-	3,605,569
Capital assets being depreciated					
Buildings	2,425,960	-	-	-	2,425,960
Equipment	2,397,390	352,332	-	-	2,749,722
Infrastructure and improvements	35,034,583	37,200	-	-	35,071,783
Vehicles	1,721,511	36,585	-	-	1,758,096
Total capital assets being depreciated	41,579,444	426,117	-	-	42,005,561
Less accumulated depreciation	17,543,492	998,996	-	-	18,542,488
Total capital assets being depreciated, net	24,035,952	(572,879)	-	-	23,463,073
Business-type activities capital assets, net	$ 27,254,290	$ (185,648)	$ -	$ -	$ 27,068,642

Depreciation expense of $998,996 was charged as a direct expense to the Utility fund within the primary government.

Capital assets of the Balch Springs Industrial and Economic Development Corporation are as follows:

	Balance October 1, 2020	Increases	Decreases	Balance September 30, 2021
Balch Springs Community and Economic Development Corporation				
Capital assets not being depreciated				
Land	$ 808,967	$ 300,429	$ -	$ 1,109,396
Total capital assets not being depreciated	$ 808,967	$ 300,429	$ -	$ 1,109,396

Note 7: Long-term Liabilities

The following is a summary of changes in long-term liabilities:

	Balance October 1, 2020	Additions	Retirements	Balance September 30, 2021	Due Within One-Year
Governmental Activities					
General obligation bonds	$ 3,615,000	$ -	$ (500,000)	$ 3,115,000	$ 515,000
Certificates of obligation	4,405,000	-	(90,000)	4,315,000	90,000
Premiums on bond debt	307,250	-	(46,326)	260,924	41,931
Compensated absences	4,312,891	1,195,483	(746,733)	4,761,641	476,164
Capital leases	980,169	-	(152,334)	827,835	156,584
Due to state	131,054	-	(65,527)	65,527	65,527
Claims and judgements	-	180,000	-	180,000	45,000
Net pension liability	5,160,136	-	(259,422)	4,900,714	-
Total OPEB liability	357,738	71,074	-	428,812	-
Total governmental activities	$ 19,269,238	$ 1,446,557	$ (1,860,342)	$ 18,855,453	$ 1,390,206
Business-type Activities					
Revenue bonds	$ 5,820,000	$ -	$ (550,000)	$ 5,270,000	$ 495,000
Premiums on bond debt	236,850	-	(44,434)	192,416	35,530
Compensated absences	728,542	147,745	(65,060)	811,227	81,123
Capital leases	2,245,698	-	(251,886)	1,993,812	259,629
Net pension liability	1,161,029	-	(58,370)	1,102,659	-
Total OPEB liability	80,490	15,992	-	96,482	-
Total business-type activities	$ 10,272,609	$ 163,737	$ (969,750)	$ 9,466,596	$ 871,282
Discretely Presented Component Units					
Revenue bonds	$ 4,885,000	$ -	$ (240,000)	$ 4,645,000	$ 240,000
Premiums on bond debt	265,982	-	(20,400)	245,582	19,780
Compensated absences	73,870	10,391	(10,951)	73,310	-
Net pension liability	129,004	-	(6,486)	122,518	-
Total OPEB liability	8,944	1,776	-	10,720	-
Total discretely presented component units	$ 5,362,800	$ 12,167	$ (277,837)	$ 5,097,130	$ 259,780

General long-term liabilities consist of capital leases, liabilities for accrued vacation leave, liabilities due to the State, and general obligation bonds and certificates of obligation which are direct obligations, issued on the full faith and credit of the City. Principal and interest payments on the general obligation bonds are secured by ad valorem taxes levied on all taxable property within the City and made in the Debt Service fund. Although these bonds are secured by the full faith and credit of the City, they have no specific claim against Utility Fund assets. Debt service requirements of the Utility fund including principal and interest are secured by operating revenues of the Utility fund and are expected to be less than 50 percent of net revenues.

Accordingly, this debt is reflected as an obligation of the Utility Fund. Proceeds from Utility fund debt issued are for the primary purpose of water and sewer distribution system improvements. Debt service requirements of the component units are secured and paid for by sales tax revenues. The total pledged revenue for each related debt issuance is included in the amortization tables later in this note.

General obligation bonds and revenue bonds outstanding at September 30, 2021, consist of the following:

	Governmental Activities	Business-type Activities	Total Primary Government	Discretely Presented Component Unit
General Obligation Bonds				
$7,200,000, 2012 General Obligation Refunding Bonds, due in annual installments through August 1, 2027, 2.00% –3.50%	$ 3,115,000	$ -	$ 3,115,000	$ -
Certificates of Obligation				
$4,495,000, 2019 Combination Tax and Revenue Certificates of Obligation, due in annual installments through September 1, 2039, 2.50%-5.00%	$ 4,315,000	$ -	$ 4,315,000	$ -
Revenue Bonds				
$2,570,000, 2011 Revenue Refunding Bonds, due in annual installments through September 1, 2021, 2.00% – 4.00%	$ -	$ -	$ -	$ -
$1,365,000, 2015 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2025, 3.55%	-	-	-	595,000
$6,795,000, 2016 Revenue Refunding Bonds, due in annual installments through September 1, 2031, 2.15%	-	5,270,000	5,270,000	-
$1,755,000, 2016 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2032, 4.99%	-	-	-	1,655,000
$2,580,000, 2019 Sales Tax Revenue Bonds, due in bi-annual installments through August 15, 2042, 2.50% – 5.00%	-	-	-	2,395,000
	$ 7,430,000	$ 5,270,000	$ 12,700,000	$ 4,645,000

The annual requirements to amortize the long-term debt as of September 30, 2021, are as follows:

General Obligation and Certificates of Obligation Bonds

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2022	$ 605,000	$ 237,275	$ 842,275
2023	625,000	214,750	839,750
2024	650,000	191,450	841,450
2025	595,000	167,200	762,200
2026	615,000	144,800	759,800
2027-2031	1,150,000	493,425	1,643,425
2032-2036	1,815,000	322,525	2,137,525
2037-2039	1,375,000	67,669	1,442,669
Total	$ 7,430,000	$ 1,839,094	$ 9,269,094

Revenue Bonds

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2022	$ 495,000	$ 132,445	$ 698,945
2023	510,000	117,595	627,445
2024	525,000	102,295	627,595
2025	545,000	86,545	627,295
2026	560,000	70,195	631,545
2027-2031	2,635,000	149,070	2,784,070
Total	$ 5,270,000	$ 658,145	$ 5,996,895

Revenue Bonds

Fiscal Year	Discretely Presented Component Units		
	Principal	Interest	Total
2022	$ 240,000	$ 197,957	$ 437,957
2023	250,000	189,490	439,490
2024	255,000	180,695	435,695
2025	270,000	170,922	440,922
2026	280,000	160,595	440,595
2027-2031	1,600,000	594,728	2,194,728
2032-2036	855,000	265,725	1,120,725
2037-2041	730,000	123,000	853,000
Thereafter	165,000	6,600	171,600
Total	$ 4,645,000	$ 1,889,710	$ 6,534,710

As of September 30, 2021, vehicles purchased under capital leases are carried at $1,758,386 with accumulated depreciation of $753,746. Amortization of these assets is included with depreciation expense.

Capital Leases

Fiscal Year	Governmental Activities		
	Principal	Interest	Total
2022	$ 156,584	$ 19,431	$ 176,015
2023	160,953	14,960	175,913
2024	165,444	10,364	175,808
2025	170,059	5,640	175,699
2026	174,795	785	175,580
Thereafter	-	-	-
Total	$ 827,835	$ 51,181	$ 879,016

Capital Leases

Fiscal Year	Business-Type Activities		
	Principal	Interest	Total
2022	$ 259,629	$ 58,847	$ 318,476
2023	267,608	50,868	318,476
2024	275,832	42,643	318,475
2025	284,309	34,166	318,475
2026	293,046	25,429	318,475
Thereafter	613,388	23,562	636,950
Total	$ 1,993,812	$ 235,515	$ 2,229,327

Note 8: Retirement Plan

Plan Description

The City and its two component units participate as one of approximately 900 plans in the nontraditional, joint contributory, hybrid defined benefit agent multiple-employer pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS, an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (TMRS Act) is an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees.

Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the member's deposits and interest.

A summary of plan provisions for the City are as follows:

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 – 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20
Updated service credit	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating

Membership in the Plan by membership class at December 31, 2020 (valuation and measurement date), is as follows:

Inactive employees or beneficiaries currently receiving benefits	103
Inactive employees entitled to but not receiving benefits	121
Active employees	168
Total	392

Contributions

The contribution rates for employees in TMRS are either 5 percent, 6 percent, or 7 percent of employee gross earnings, and the City's matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year (normal cost), with additional amounts to finance any unfunded accrued liability (prior service cost) and supplemental death benefits (if included in benefit provisions).

Employees are required to contribute 7 percent of their annual gross earnings during the fiscal year. The City contributes to the TMRS plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (*i.e.*, December 31, 2018, valuation is effective for the rates beginning January 2020).

For the year ended September 30, 2021, contributions by the City and its Component Units were $1,536,416 and $31,355, or 13.64 percent, of the covered payroll of $11,261,419 and $229,825, respectively, as required by the actuarial valuation. The component units proportionate share within the plan is 2 percent of all plan balances.

Net Pension Liability

The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, including inflation
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. Based on the size of the City, rates are multiplied by an additional factor of 100 percent, which adds an additional layer of conservatism. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3 percent minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The postretirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.00%	

Discount Rate: The discount rate used to measure the Total Pension Liability was 6.75 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified by statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended September 30, 2021, were as follows:

	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of October 1, 2020	$ 42,529,168	$ 36,079,000	$ 6,450,168
Changes for the year:			
Service cost	1,773,241	-	1,773,241
Interest on total pension liability	2,892,515	-	2,892,515
Effect of plan changes	-	-	-
Effect of difference in expected and actual experience	(8,535)	-	(8,535)
Changes of assumptions	-		-
Benefit payments	(1,127,430)	(1,127,430)	-
Administrative expenses	-	(17,721)	17,721
Member contributions	-	765,271	(765,271)
Net investment income	-	2,747,086	(2,747,086)
Employer contributions	-	1,487,553	(1,487,553)
Other	-	(691)	691
Net changes	3,529,791	3,854,068	(324,277)
Balances as of September 30, 2021	$ 46,058,959	$ 39,933,068	$ 6,125,891
City	$ 45,137,780	$ 39,134,407	$ 6,003,373
Component Units	$ 921,179	$ 798,661	$ 122,518

Sensitivity to Interest Rate Changes: The following presents the net pension liability of the City calculated using the discount rate of 6.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability	$ 14,004,159	$ 6,125,891	$ (189,077)

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
City's net pension liability	$ 13,724,076	$ 6,003,373	$ (185,295)
Component unit's net pension liability	280,083	122,518	(3,782)

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.TMRS.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: For the year ended September 30, 2021, the City and its Component Units recognized pension expense, as measured in accordance with GASB Statement No. 68, of $902,676 and $18,422, respectively, and at September 30, 2021, reported deferred inflows of resources and deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Primary Government		
Differences between expected and actual experience	$ -	$ 179,713
Change of assumptions	60,205	-
Net difference between projected and actual earnings on pension plan investments	-	1,014,316
Contributions subsequent to the measurement date	1,118,218	-
	$ 1,178,425	$ 1,194,029

	Deferred Outflows of Resources	Deferred Inflows of Resources
Component Units		
Differences between expected and actual experience	$ -	$ 3,668
Change of assumptions	1,229	-
Net difference between projected and actual earnings on pension plan investments	-	20,700
Contributions subsequent to the measurement date	22,821	-
	$ 24,048	$ 24,368

At September 30, 2021, the City and its Component Units reported $1,118,218 and $22,821 as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date. These amounts will be recognized as a reduction in the net pension liability for the year ending September 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Primary Government

Year Ending September 30	
2021	$ (445,761)
2022	(41,444)
2023	(585,293)
2024	(61,325)
	$ (1,133,824)

Component Units Year Ending September 30	
2021	$ (9,097)
2022	(846)
2023	(11,945)
2024	(1,252)
	$ (23,139)

Note 9: Postemployment Benefits Other Than Pensions

Plan Description

The City also participates in the single multiple-employer defined benefit OPEB plan providing group-term life which is operated by the TMRS and is known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

The following employees were covered by the benefit terms at December 31, 2020 (measurement and valuation date), is as follows:

Inactive employees currently receiving benefits	58
Inactive employees entitled to but not yet receiving benefits	15
Active employees	168
Total employees	241

Total OPEB Liability

The City's total OPEB liability of $536,014 ($428,812 governmental activities, $96,482 business-type activities and $10,720 component units) was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total OPEB liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

	December 31, 2020
Inflation	2.5%
Salary increase	3.50 to 11.5% including inflation
Discount rate	2.00%
Retirees' share of benefit-related costs	$0
Administrative expense	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rate are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate: The TMRS SDBF is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees, and the assets are not segregated for these groups. Under GASB Statement No. 75 (paragraph 155), the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.00 percent based on the 20-Year Municipal GO AA Index published by bondbuyer.com is used as of the measurement date of December 31, 2020.

Changes in Total OPEB Liability

	Total OPEB Liability
Balances as of October 1, 2020	$ 447,172
Changes for the year:	
Service cost	25,145
Interest on total OPEB liability	12,598
Difference between expected and actual experience	(19,173)
Effect of assumption changes (discount rate change)	73,552
Benefit payments	(3,280)
Balances as of September 30, 2021	$ 536,014

Sensitivity of the total OPEB liability to changes in the discount rate. The total OPEB liability of the City has been calculated using a discount rate of 2.00 percent. The following presents the total OPEB liability using a discount rate 1 percent higher and 1 percent lower than the current discount rate.

	1% Decrease 1.00%	Current Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	$ 659,582	$ 536,014	$ 440,803

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of $55,618. At September 30, 2021, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ -	$ 28,969
Changes in assumptions	111,892	-
Contributions subsequent to measurement date	15,102	-
	$ 126,994	$ 28,969

Benefit payments subsequent to the measurement date and before fiscal year-end will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2022.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending September 30	Amortization of Deferred Outflows of Resources
2022	$ 17,875
2023	17,875
2024	15,342
2025	15,663
2026	12,849
Thereafter	3,319
	$ 82,923

Note 10: Commitments and Contingencies

Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. The City is part of the Texas Municipal League Intergovernmental Risk Pool (Pool). Premiums are paid to the Pool, which retain a limit of loss. Reinsurance companies insure the risks beyond those limits. The City retains, as a risk, only the deductible amount of each policy. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage in any of the past three fiscal years.

Federal and State Programs

The City participates in several state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that if the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at September 30, 2021, may be impaired.

Litigation

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's legal counsel and management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position. The amount of ultimate loss, if any, could differ materially.

Future Accounting Pronouncements

The GASB has issued the following statements which will become effective in future years:

Statement No. 87, *Leases* – This statement establishes a single approach to accounting for and reporting leases by state and local governments. This statement will be effective for the City in fiscal year 2022. The City will evaluate the potential impact on the City's net position.

Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61* – This statement aims to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement will become effective for the City in fiscal year 2021. The City will evaluate the potential impact on the City's net position.

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Required Supplementary Information

City of Balch Springs, Texas

Texas Municipal Retirement System

Schedule of Changes in the City's Net Pension Liability and Related Ratios

Last Seven Measurement Years (Previous years are not available)

(Unaudited)

	2014	2015	2016	2017	2018	2019	2020
Total Pension Liability							
Service cost	$ 1,111,639	$ 1,588,374	$ 1,588,187	$ 1,616,166	$ 1,669,833	$ 1,774,058	$ 1,773,241
Interest (on the total pension liability)	1,805,251	1,968,932	2,114,326	2,283,954	2,462,606	2,671,471	2,892,515
Changes in benefit terms	-	-	-	-	-	-	-
Differences between expected and actual experience	(17,723)	464,652	(322,634)	(399,111)	(168,017)	(202,781)	(8,535)
Changes of assumptions	-	(1,315)	-	-	-	117,794	-
Benefit payments, including refunds of employee contributions	(749,402)	(849,057)	(800,546)	(961,171)	(801,111)	(1,043,383)	(1,127,430)
Net change in total pension liability	2,149,765	3,171,586	2,579,333	2,539,838	3,163,311	3,317,159	3,529,791
Total pension liability – Beginning	25,608,176	27,757,941	30,337,274	32,877,112	36,048,698	39,212,009	42,529,168
Total pension liability – Ending (a)	$ 27,757,941	$ 30,929,527	$ 32,916,607	$ 35,416,950	$ 39,212,009	$ 42,529,168	$ 46,058,959
Plan Fiduciary Net Position							
Contributions – employer	$ 1,420,005	$ 1,532,886	$ 1,344,107	$ 1,407,797	$ 1,446,376	$ 1,505,228	$ 1,487,553
Contributions – employee	646,296	681,706	667,305	684,402	711,000	761,865	765,271
Net investment income	1,069,250	31,089	1,518,848	3,492,211	(893,537)	4,684,138	2,747,086
Benefit payments, including refunds of employee contributions	(749,402)	(849,057)	(800,546)	(961,171)	(801,111)	(1,043,383)	(1,127,430)
Administrative expense	(11,161)	(18,929)	(17,126)	(18,064)	(17,225)	(26,380)	(17,721)
Other	(920)	(935)	(922)	(915)	(900)	(793)	(691)
Net change in plan fiduciary net position	2,374,068	1,376,760	2,711,666	4,604,260	444,603	5,880,675	3,854,068
Plan fiduciary net position – Beginning	18,686,968	21,061,038	22,437,797	25,149,462	29,753,722	30,198,325	36,079,000
Plan fiduciary net position – Ending (b)	$ 21,061,035	$ 22,437,797	$ 25,149,462	$ 29,753,722	$ 30,198,325	$ 36,079,000	$ 39,933,068
City's net pension liability – Ending (a) – (b)	$ 6,696,906	$ 8,491,730	$ 7,767,145	$ 5,663,228	$ 9,013,684	$ 6,450,168	$ 6,125,891
Plan fiduciary net position as a percentage of the total pension liability	75.87%	72.54%	76.40%	84.01%	77.01%	84.83%	86.70%
Covered payroll	$ 9,232,798	$ 9,738,654	$ 9,532,935	$ 9,777,168	$ 10,157,138	$ 10,883,790	$ 10,932,438
City's net pension liability as a percentage of covered payroll	72.53%	87.20%	81.48%	57.92%	88.74%	59.26%	56.03%

Other Information: The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

City of Balch Springs, Texas
Texas Municipal Retirement System
Schedule of City Pension Contributions
September 30, 2021
(Unaudited)

	2015	2016	2017	2018	2019	2020	2021
Actuarially determined contribution	$ 1,444,542	$ 1,397,512	$ 1,400,137	$ 1,443,961	$ 1,519,431	$ 1,511,814	$ 1,567,771
Contributions in relation to the actuarially determined contribution	1,444,542	1,397,512	1,400,137	1,443,961	1,519,431	1,511,814	1,567,771
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered-payroll	$ 9,311,322	$ 9,593,837	$ 9,780,905	$ 10,107,933	$ 10,157,138	$ 11,063,241	$ 11,491,244
Contributions as a percentage of covered-payroll	15.51%	14.57%	14.32%	14.29%	14.96%	13.67%	13.64%

Note to Schedule:

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information: There were no benefit changes during the year.

The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 68, only periods for which such information is available are presented.

City of Balch Springs, Texas

Supplemental Death Benefit Fund

Schedule of Changes in the Total OPEB Liability and Related Ratios

Last Four Measurement Years (Previous Years are not Available)

(Unaudited)

	Measurement Year			
	2017	2018	2019	2020
Total OPEB Liability				
Service cost	$ 17,599	$ 21,331	$ 18,502	$ 25,145
Interest cost	11,659	12,164	13,546	12,598
Difference between expected and actual experience of the total OPEB liability	-	(3,565)	(15,766)	(19,173)
Changes of assumptions	30,913	(27,721)	76,643	73,552
Benefit payments	(2,934)	(3,047)	(3,265)	(3,280)
Net change in total OPEB liability	57,237	(838)	89,660	88,842
Total OPEB Liability (Beginning)	301,113	358,350	357,512	447,172
Total OPEB Liability (Ending)	$ 358,350	$ 357,512	$ 447,172	$ 536,014
Covered-employee payroll	$ 9,777,168	$ 10,157,138	$ 10,883,790	$ 10,932,438
Net OPEB liability as a percentage of covered-employee payroll	3.67%	3.52%	4.11%	4.90%

Other Information: The information in this schedule has been determined as of the City's most recent fiscal year-end and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provision of GASB 75, only periods for which such information is available are presented.

City of Balch Springs, Texas

Schedule of Revenues, Expenditures, and Changes in Fund Balances

Budget and Actual

General Fund

Year Ended September 30, 2021

(Unaudited)

	Budgeted Amounts		Actual GAAP Basis	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes and fees	$ 14,764,480	$ 14,764,480	$ 16,494,385	$ 1,729,905
Licenses and permits	377,700	377,700	715,946	338,246
Intergovernmental	41,000	41,000	66,449	25,449
Charges for services	163,800	163,800	99,847	(63,953)
Fines and forfeits	574,300	574,300	586,840	12,540
Interest	10,000	10,000	26,388	16,388
Miscellaneous	21,000	21,000	29,942	8,942
Total revenues	15,952,280	15,952,280	18,019,797	2,067,517
Expenditures				
Current				
General government	1,152,830	1,152,830	1,195,045	(42,215)
Public safety	11,602,559	11,657,559	11,383,471	274,088
Public works	2,201,240	2,203,735	1,911,662	292,073
Community development and recreation	1,827,525	1,847,504	1,558,935	288,569
Capital outlay	205,000	535,358	995,618	(460,260)
Debt Service				
Principal retirement	-	-	152,334	(152,334)
Interest and fiscal charges	-	-	27,347	(27,347)
Total expenditures	16,989,154	17,396,986	17,224,412	172,574
Excess (deficiency) of revenues over (under) expenditures	(1,036,874)	(1,444,706)	795,385	2,240,091
Other financing sources (uses)				
Operating transfers in	1,063,220	1,063,220	1,225,697	162,477
Operating transfers out	(10,000)	(10,000)	(623,053)	(613,053)
Contributions	365,000	360,100	1,100,908	740,808
Other sources	1,000	1,000	131,721	130,721
Total other financing sources (uses)	1,419,220	1,414,320	1,835,273	420,953
Net Change in Fund Balances	382,346	(30,386)	2,630,658	2,661,044
Fund Balance, Beginning of Year	3,831,251	3,831,251	3,831,251	-
Fund Balance, End of Year	$ 4,213,597	$ 3,800,865	$ 6,461,909	$ 2,661,044

City of Balch Springs, Texas
Notes to Required Supplementary Information
September 30, 2021

Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

An operating budget for the General Fund is legally adopted each fiscal year.

The budget is adopted on a basis consistent with GAAP.

The City generally follows these procedures in establishing the budgetary data reflected in the financial statements:

1. A proposed operating budget including proposed expenditures and the means of financing them is submitted to the City Council by the City Manager.
2. Upon receipt of the budget estimates, the City Council holds a first reading on the Budget Ordinance and Tax Roll Ordinance. Information about the Budget Ordinance is then published in the official newspaper of the City.
3. A public hearing on the budget is held.
4. Prior to October 1, the budget is legally enacted through passage of an ordinance. The legal level of budgetary control is at the fund level. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Budgetary control has been established at the detail level by line item activity for management control.

Departmental appropriations that have not been expended or encumbered by the departments at the end of the fiscal year will lapse.

Nonmajor Combining Statements and Schedules

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City of Balch Springs, Texas
Nonmajor Governmental Funds
September 30, 2021

Special Revenue Funds

The following funds are Special Revenue Funds. Special Revenue Funds account for the proceeds of specific revenue sources (other than expendable trust or capital projects) that are legally restricted to expenditures for specific purposes.

Section 8 Housing Assistance Program
To account for the financial activity associated with the Section 8 Housing Assistance Program, a grant program funded by the U.S. Department of Housing and Urban Development.

State Chapter 59 Law Enforcement
To account for the financial activity associated with seizures and forfeitures awarded to the City. Expenditures are restricted to law enforcement purposes.

Department of Justice Grants
To account for the financial activity associated with Department of Justice Grants awarded to the City. Expenditures are restricted to law enforcement purposes.

Department of Justice Forfeitures
To account for the financial activity associated with Department of Justice seizures and forfeitures awarded to the City. Expenditures are restricted to law enforcement purposes.

US Treasury Forfeitures
To account for the financial activity associated with the Department of Justice seizures and forfeitures awarded to the City. Expenditures are restricted to law enforcement purposes.

Red Light Camera
To account for the financial activity associated with the fines assessed from the Red Light Camera program. Expenditures are restricted for "traffic" related items. One-half of the revenue that is not spent is remitted to the State.

Municipal Court Technology
To account for the financial activity associated with the portion of citations that have been restricted for technology in Municipal Court.

Municipal Court Building Security
To account for the financial activity associated with the portion of citations that have been restricted for security in Municipal Court.

Hotel Occupancy Tax
To account for the financial activity associated with the seven percent (7 percent) occupancy tax collected by hotels, motels, and bed and breakfasts located in the City and ETJ. These funds are restricted for cultural and tourism activities.

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Emergency Vehicle
To account for the financial activity associated with the proceeds from abandon vehicles sales, impound fees, insurance refunds, and funds previously designated to replace police and fire department vehicles.

Donations
To account for financial activity associated with donations to specific departments and for special purposes.

Tax Increment Reinvestment Zone
To account for financial activity associated with Tax Increment Reinvestment Zones (TIRZ) established in Balch Springs. Reinvestment Zone Number One designates 15 percent of the incremental ad valorem property tax value to be used for development within that zone. Property tax generated from Reinvestment Zone Number Two is designated to pay the debt on CO Bonds 2019 and is appropriated within the TIF Debt Service Fund.

Emergency Reserve
To account for the financial activity associated with accumulated funds to be used at the sole discretion of a majority of the City Council of the City of Balch Springs during instances of disaster, emergency, and economic instability within the City.

Community Development Corporation
To account for funds that enable social, cultural, humanitarian, trade, tourism, economic, educational, community development and related services and to aid the City in the performance of its government functions, services, programs and projects.

Public Facilities Corporation
To account for funds that provide the financing, acquisition, and construction of public facilities but not limited to single-family and multi-family development.

Debt Service Fund

Debt Service
To account for the accumulation of financial resources for the payment, interest, and related costs of general long-term debt paid primarily from taxes levied by the City.

Tax Increment Financing Debt Service
To account for the accumulation of financial resources for the payment, interest, and related costs of long-term debt issued in the Tax Increment Financing Fund.

Capital Projects Fund

Capital Projects Fund
To account for financial activity associated with long-term capital projects within governmental funds.

City of Balch Springs, Texas
Combining Balance Sheet
Nonmajor Governmental Funds
Year Ended September 30, 2021

	Special Revenue								
	Section 8 Housing Assistance Program	State Chapter 59 Law Enforcement	Department of Justice Grants	Department of Justice Forfeitures	US Treasury Forfeitures	Red Light Camera	Municipal Court Technology	Municipal Court Building Security	Hotel Occupancy Tax
Assets									
Pooled cash and cash equivalents	$ 2,114	$ 108,050	$ 17,174	$ 32,505	$ 575,210	$ 385	$ 8,336	$ 54,653	$ 407,181
Receivables (net of allowance for uncollectibles)									
Taxes	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Other	-	7,220	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	22,034	-	-
Total assets	$ 2,114	$ 115,270	$ 17,174	$ 32,505	$ 575,210	$ 385	$ 30,370	$ 54,653	$ 407,181
Liabilities, Deferred Inflows of Resources and Fund Balances									
Liabilities									
Accounts and contracts payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 40	$ -	$ 1,780
Accrued liabilities	2,519	-	-	-	-	-	-	-	1,744
Total liabilities	2,519	-	-	-	-	-	40	-	3,524
Deferred inflows of resources	-	-	-	-	-	-	-	-	-
Fund Balance									
Restricted fund balances									
Court security	-	-	-	-	-	-	-	54,653	-
Court technology	-	-	-	-	-	-	8,296	-	-
Debt service	-	-	-	-	-	-	-	-	-
Law enforcement	-	115,270	17,174	32,505	575,210	-	-	-	-
Capital projects	-	-	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	385	-	-	-
Promotion of tourism and hotel industry	-	-	-	-	-	-	-	-	403,657
Economic development	-	-	-	-	-	-	-	-	-
Committed fund balance									
Emergency management reserve	-	-	-	-	-	-	-	-	-
Unassigned fund balance	(405)								
Total fund balances	(405)	115,270	17,174	32,505	575,210	385	30,330	54,653	403,657
Total liabilities, deferred inflows of resources and fund balances	$ 2,114	$ 115,270	$ 17,174	$ 32,505	$ 575,210	$ 385	$ 30,370	$ 54,653	$ 407,181

City of Balch Springs, Texas
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
Year Ended September 30, 2021

Special Revenue						Debt Service		Capital Projects	
Emergency Vehicle	Donations	Tax Increment Reinvestment Zone	Emergency Reserve	Community Development Corporation	Public Facilities Corporation	Debt Service	Tax Increment Financing Debt Service	Capital Projects	Total Nonmajor Governmental Funds
$ 114,577	$ 85,545	$ 242,103	$ 106,632	$ 2,000	$ 500,000	$ 399,546	$ -	$ 741,050	$ 3,397,061
-	-	-	-	-	-	42,423	-	-	42,423
-	-			-	-	-			-
-	-	-	-	-	-	-	-	-	7,220
-	-	-	-	-	-	-	-	-	22,034
$ 114,577	$ 85,545	$ 242,103	$ 106,632	$ 2,000	$ 500,000	$ 441,969	$ -	$ 741,050	$ 3,468,738
$ 5,522	$ 4,747	$ -	$ -	$ -	$ -	$ -	$ 680	$ -	$ 12,769
-	-	-	-	-	-	-	-	-	4,263
5,522	4,747	-	-	-	-	-	680	-	17,032
-	-	-	-	-	-	41,477	-	-	41,477
-	-	-	-	-	-	-	-	-	54,653
-	-	-	-	-	-	-	-	-	8,296
-	-	-	-	-	-	400,492	-	-	400,492
-	-	-	-	-	-	-	-	-	740,159
-	-	-	-	-	-	-	-	741,050	741,050
109,055	70,492	-	-	-	-	-	-	-	179,932
-	-	-	-	-	-	-	-	-	403,657
-	10,306	242,103	-	2,000	500,000	-	-	-	754,409
-	-	-	106,632	-	-	-	-	-	106,632
							(680)		(1,085)
109,055	80,798	242,103	106,632	2,000	500,000	400,492	(680)	741,050	3,410,229
$ 114,577	$ 85,545	$ 242,103	$ 106,632	$ 2,000	$ 500,000	$ 441,969	$ -	$ 741,050	$ 3,468,738

City of Balch Springs, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended September 30, 2021

	Special Revenue								
	Section 8 Housing Assistance Program	State Chapter 59 Law Enforcement	Department of Justice Grants	Department of Justice Forfeitures	US Treasury Forfeitures	Red Light Camera	Municipal Court Technology	Municipal Court Building Security	Hotel Occupancy Tax
Revenues									
Taxes and fees	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 150,931
Intergovernmental	-	-	26,698	-	-	-	-	-	-
Fines and forfeitures	-	85,042	-	-	140,664	-	8,724	8,708	-
Interest	-	224	208	325	5,601	-	133	268	1,830
Miscellaneous	-	-	-	-	-	-	-	-	-
Total revenues	-	85,266	26,906	325	146,265	-	8,857	8,976	152,761
Expenditures									
Current									
General government	-	-	-	-	-	-	-	-	-
Public safety	-	14,987	10,315	4,606	74,582	-	19,523	2,788	-
Community development and recreation	-	-	-	-	-	-	-	-	38,282
Debt service									
Principal retirement	-	-	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-	-	-
Total expenditures	-	14,987	10,315	4,606	74,582	-	19,523	2,788	38,282
Excess (Deficiency) of revenues over (under) expenditures	-	70,279	16,591	(4,281)	71,683	-	(10,666)	6,188	114,479
Other Financing Sources (Uses)									
Transfers in	-	-	-	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-	-	-	-
Insurance recoveries	-	-	-	-	-	-	-	-	-
Capital contributions	-	-	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	-	-	-	-	-	-	-	-
Net Change in Fund Balances	-	70,279	16,591	(4,281)	71,683	-	(10,666)	6,188	114,479
Fund Balances, Beginning of Year	(405)	44,991	583	36,786	503,527	385	40,996	48,465	289,178
Fund Balances, End of Year	$ (405)	$ 115,270	$ 17,174	$ 32,505	$ 575,210	$ 385	$ 30,330	$ 54,653	$ 403,657

City of Balch Springs, Texas

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)

Nonmajor Governmental Funds

Year Ended September 30, 2021

Special Revenue						Debt Service		Capital Projects	
Emergency Vehicle	Donations	Tax Increment Reinvestment	Emergency Reserve	Community Development Corporation	Public Facilities Corporation	Debt Service	Tax Increment Financing Debt Service	Capital Projects	Total Nonmajor Governmental Funds
$ -	$ -	$ 124,754	$ -	$ -	$ -	$ 685,901	$ -	$ -	$ 961,586
-	-	-	-	2,000	-	-	-	-	28,698
-	-	-	-	-	-	-	-	-	243,138
798	443	745	467	-	-	4,508	66	2,183	17,799
-	27,972	-	-	-	500,000	-	-	5,250	533,222
798	28,415	125,499	467	2,000	500,000	690,409	66	7,433	1,784,443
-	3,600	-	-	-	-	-	-	-	3,600
23,096	5,618	-	-	-	-	-	-	-	155,515
		-	-					-	
-	11,202	-	-	-	-	-	-	-	49,484
		-	-					-	
-	-	-	-	-	-	500,000	90,000	-	590,000
-	-	-	-	-	-	124,525	133,499	-	258,024
23,096	20,420	-	-	-	-	624,525	223,499	-	1,056,623
(22,298)	7,995	125,499	467	2,000	500,000	65,884	(223,433)	7,433	727,820
-	-	-	57,708	-	-	-	6,507	312,334	376,549
(109,354)	-	(3,077)	-	-	-	-	-	-	(112,431)
4,762	-		-	-	-	-	-	-	4,762
-	-	-	-	-	-	-	216,996	6,451	223,447
70,055	-	-	-	-	-	-	-	-	70,055
(34,537)	-	(3,077)	57,708	-	-	-	223,503	318,785	562,382
(56,835)	7,995	122,422	58,175	2,000	500,000	65,884	70	326,218	1,290,202
165,890	72,803	119,681	48,457	-	-	334,608	(750)	414,832	2,120,027
$ 109,055	$ 80,798	$ 242,103	$ 106,632	$ 2,000	$ 500,000	$ 400,492	$ (680)	$ 741,050	$ 3,410,229

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City of Balch Springs, Texas

Discretely Presented Component Units

September 30, 2021

Balch Springs Industrial and Economic Development Corporation – to account for revenues from an industrial development sales tax to build economic development activity within the City.

Balch Springs Community and Economic Development Corporation – to account for revenues from a sales and use tax for the development of parks and recreational facilities.

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City of Balch Springs, Texas
Balance Sheet
Industrial and Economic Development Corporation
September 30, 2021

Assets

Cash and cash equivalents	$	3,824,454
Sales tax receivable		213,027
Prepaid items		530
Total assets	$	4,038,011

Liabilities and Fund Balance

Current Liabilities		
Accounts payable	$	2,685
Accrued liabilities		5,916
Total liabilities		8,601
Fund Balance		
Restricted for:		
Economic Development		4,029,410
Total liabilities and fund balances	$	4,038,011

City of Balch Springs, Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Industrial and Economic Development Corporation

September 30, 2021

Total fund balance		$ 4,029,410
Amounts reported in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		1,109,396
Deferred outflows of resources and deferred inflows of resources represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements.		820
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(17,285)
Long-term liabilities, including bonds and other payables are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
Revenue bonds	$ (2,250,000)	
Net pension liability	(61,259)	
Total OPEB liability	(5,360)	
Compensated absences	(36,655)	(2,353,274)
Total net position		$ 2,769,067

City of Balch Springs, Texas

Statement of Revenues, Expenditures, and Changes in Fund Balance
Industrial and Economic Development Corporation
Year Ended September 30, 2021

Revenues	
Sales tax	$ 1,249,770
Interest income	34,028
Total revenues	1,283,798
Expenditures	
Current	
Economic development	224,865
Capital outlay	300,429
Debt service	
Principal retirement	165,000
Interest and fiscal charges	110,675
Total expenditures	800,969
Other Financing Sources (Uses)	
Transfers to other governments	(915,247)
Total other financing sources (uses)	(915,247)
Net Change In Fund Balance	(432,418)
Fund Balance, Beginning of Year	4,461,828
Fund Balance, End of Year	$ 4,029,410

City of Balch Springs, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Industrial and Economic Development Corporation

Year Ended September 30, 2021

Net change in fund balance	$	(432,418)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is amount of capital assets recorded in the current period.		300,429
Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		280
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in government funds.		1,036
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. This is the amount of principal payments.		165,000
Current year pension expenditures are reported on the fiscal year basis on the statement of revenues, expenditures, and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources and deferred inflow of resources balances.		5,797
Change in net position	$	40,124

City of Balch Springs, Texas
Balance Sheet
Community and Economic Development Corporation
September 30, 2021

Assets

Cash and cash equivalents	$	2,181,274
Restricted cash and cash equivalents		2,353,610
Receivables		
Sales tax		213,027
Note		300,000
Interest		26,956
Other assets		530
Total assets	$	5,075,397

Liabilities, Deferred Inflows of Resources, and Fund Balances

Current Liabilities		
Accounts payable	$	3,170
Accrued liabilities		5,417
Total liabilities		8,587
Deferred Inflows of Resources		326,956
Fund Balance		
Restricted for:		
Economic Development		4,739,854
Total liabilities, deferred inflows of resources, and fund balances	$	5,075,397

City of Balch Springs, Texas

Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position

Community and Economic Development Corporation

September 30, 2021

Total fund balance		$ 4,739,854
Amounts reported in the statement of net position are different because:		
Deferred outflows of resources and deferred inflows of resources related to pension, OPEB and note receivables represent flows of resources which relate to future periods and, therefore, are not reported in the fund financial statements.		327,776
Interest payable on long-term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet.		(15,708)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the fund financial statements. Long-term liabilities at year-end consist of:		
Revenue bonds, including premium	$ (2,640,582)	
Net pension liability	(61,259)	
Total OPEB liability	(5,360)	
Compensated absences	(36,655)	(2,743,856)
Total net position		$ 2,308,066

City of Balch Springs, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balance
Community and Economic Development Corporation
Year Ended September 30, 2021

Revenues	
Sales tax	$ 1,249,770
Interest income	30,048
Total revenues	1,279,818
Expenditures	
Current	
Economic development	407,551
Debt Service	
Principal payments	75,000
Interest and fiscal charges	96,150
Total expenditures	578,701
Other Financing Uses	
Transfers to other governments	(404,169)
Total other financing uses	(404,169)
Net Change In Fund Balance	296,948
Fund Balance, Beginning of Year	4,442,906
Fund Balance, End of Year	$ 4,739,854

City of Balch Springs, Texas

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

Community and Economic Development Corporation

Year Ended September 30, 2021

Net change in fund balance	$	296,948
Amounts reported in the statement of activities are different because:		
Revenues reported in the Statement of Activities, but do not appear in the governmental funds because they do not provide current financial resources. This is the amount of increase in accrued interest from notes receivable.		11,621
The repayment of debt is an expenditure in the governmental funds, but reduces long term liabilities in the statement of net position. Also, governmental funds report premiums and discounts when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		95,400
Current year changes in accrued compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.		280
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as expenditures in government funds.		250
Current year pension expenditures are reported on the fiscal year basis on the governmental statement of revenues, expenditures and changes in fund balance and as actuarially determined in the government-wide statement of activities. These differences are reflected in deferred outflows of resources.		5,797
Change in net position	$	410,296